

Desire to Woo Latin America Risks Defaulted Loans Trap

Sound Business Judgment Held Essential in
Bid to Corner Export Trade on
Southern Continent

By Herbert M. Bratter

Never has this country been more alert to developments in Latin America. "Continental solidarity," the slogan at Lima, has become a cardinal point of our foreign policy. Our refurbished merchant marine, radio broadcasts, the interdepartmental program for co-operation with Latin America, the establishment in the State Department of a Division of Cultural Relations, the travels southward of State Department, Agriculture Department, Export-Import Bank and other officials—these are just some of the signs of our keen concern over foreign penetration in Latin America.

The announcement that the Treasury is earnestly studying financial co-operation with Latin American treasuries coupled with reports of the intention to seek great expansion of the lending powers of the Export-Import Bank etc., portend an important development in our foreign policy. In the international push-back contest which is shaking the world, Uncle Sam is putting his shoulder behind the "anti-Fascists."

This active participation in Latin America's destiny must be regarded as a manifestation of what the National Peace Conference terms the "current wave of hysteria" over our national defense. It may be worth our while to pause and reflect before we enter a race with other lands to curry favor among our Latin American neighbors. Just what is the goal, and how good is the chance of reaching it? If we would only imagine ourselves in the Latin Americans' place, we might well wonder whether that old saying about fearing "the Greeks and those bearing gifts" is not still applicable. Friendship is not to be bought by mere lavish generosity. Mexico has taught us that. We ourselves should be the first to realize that our Southern gestures are purely selfish in object. They are not Community Chest donations.

Price on Good Will?

Latin Americans might be very foolish to refuse our handouts of friendship, our fine ships and free broadcasts, our silver purchases and our super-highway, our Government technical experts—and our cash. But we would be naive to assume that by such gestures we can buy good will, prevent nationalization of American investments, or sever Latin America's economic and cultural ties with Europe.

Such indeed may not be the precise object of the new Pan-American economics, yet it is certainly in the minds of a good part of the United States public. To them a word of caution may not be out of place: Judge the proposed business arrangements by business standards.

Consider the suggested government stabilization loans to Latin American treasuries. In many Latin American lands our exporters trade under severe limitations. Foreign exchange is scarce and trade is therefore controlled by 11 governments. Exporters in Europe are often in a preferred position in Latin American countries, because their own importers buy more in such Latin American countries than we do, and the Latin American countries concerned tend to buy correspondingly more from them than from us. If we will lend dollars to such countries, thus supporting their currencies, they will be able to buy more from us; such loans will stimulate trade, it is now argued.

Bondholders Might Intervene.

Theoretically, there is a place for exchange-stabilization loans to Latin America. Actually, it might prove impossible to earmark the proceeds for such a purpose. If we loaned dollars to Latin American governments, American holders of defaulted securities will naturally endeavor to secure recognition of their just due. It would therefore seem necessary that the government now in default first compose their obligations to present American bondholders before borrowing from the United States Government. To some extent, therefore, the process would constitute a case of Washington "bailing out" the bondholders.

Don't forget that in several Latin American countries our brand of democracy does not exist. Loans to such governments would be loans to finance indigenous dictatorships.

If loans are made by Washington to Latin America, they are sure ultimately to engender bad feeling on both sides. In view of this country's obvious anxiety to counteract European progress in Latin America, our southern neighbors will be likely, right from the start, to suspect us of "Yankee imperialism." It would be bad enough if overzealous Wall Street representatives again traveled the Spanish Main with offers of loans, as in the 1920s. But for Uncle Sam now to send similar frock-coated financiers would not only be no better; it would be distinctly worse.

Inevitably, as business again swings into a down cycle, Latin America would find it difficult or inconvenient to meet the payments. The trans-Atlantic bitterness and recrimination over the "war debts" are a warning of the kind of feeling new trans-Caribbean defaults would awaken.

Undoubtedly the lending of dollars to Latin America would enable it to buy more American goods, if we assume that the money is not all used for the liquidation of previous debts to American bondholders. It would stimulate our exports. That is part of the idea. But in stimulating exports we should look beyond the immediate effects.

Exporting is not an end in itself. Exporting is sending wealth to foreigners. What will we get in exchange? We do not need any more gold or silver, or I. O. U. We now hold \$14,400,000,000 of gold, three-fifths of the world's stock. Wouldn't it be better for us to let more foreign goods come in and let some of our largely sterilized gold go out in exchange?

Loans which merely result in an outflow of American goods are of dubious value to us. That foreign loans unbalanced by increased imports would be unwise was recognized by the 1937 National Foreign Trade Convention.

If our vast stocks of bullion call for merchandise imports rather than exports, so, too, does our great creditor position. The world owes us almost \$5,000,000,000 more than we owe foreigners. Our actual investments abroad total al-

most \$12,000,000,000. How can we ever realize on those investments, if we refuse to allow an adverse balance of trade, and instead insist on ever larger "favorable" or export balances of trade?

And if our debtors cannot or will not pay us what they already owe us, what chance is there of their repaying additional loans? Thirty-seven per cent of all foreign dollar bonds are now in default; and the worst offenders are in Latin Americans, to whom we loaned the most.

More Than \$4,000,000,000.

American long-term investments in Latin America totaled more than \$4,000,000,000 at the end of 1937, or more than in any other area. This sum, exceeding even our great investments in Canada, was over 37 per cent of our total long-term investments abroad.

Of the five leading foreign debtors to our bondholders, three are Latin American countries—Brazil, Chile and Argentina. These three countries alone owe one-fifth of all foreign bonded indebtedness to private American investors.

Much of Latin America's bonded debt to United States investors is in default. In no other continent—the "war debts" and certain individual countries like Germany excepted—is the "ratio of defaults to total investments" so high. According to the Commerce Department, 55 per cent of European dollar bonds were in default as to interest in 1937. In Central America the corresponding ratio was 66 per cent and in South America 68 per cent. (In Canada this ratio was only 2.6 per cent and in Asia less than 4 per cent.)

Rich Brazil is in complete default on its debt here. Surely, if there were a will, some payment could have been made. Should we now lend more to Brazil? Does Brazil, indeed, ask for any further loans?

Lesson in the 1920s.

The unwise economics of exports stimulated by too lavish loans was amply illustrated following the halcyon 1920s. True, those exports "made jobs for Americans." And they increased our "national income produced." But this proved of no value to us, since the increase was consumed by foreigners and much will never be paid for.

In referring to foreign defaults one must not overlook the good record of the Argentine federal government. Nor should we overlook the culpability of our own economic policies, such as the 1930 tariff, which made it difficult for foreigners to pay us in goods. Our reluctance to accept foreign goods has not vanished with the change in 1932 from Republican to Democratic administrations. There is no more ardent pusher for subsidized exports than the Secretary of Agriculture, who reflects the farmers' viewpoint. We are still a nation of mercantilists, who think selling is superior to buying goods.

From the standpoint of a contribution to a healthy revival of international trade, an increase in our import trade would be more important than a simultaneous increase in both imports and exports. Typical of our export-mindedness are the annual reports of the Export-Import Bank of Washington. Their only mention of imports appears in the bank's title.

Noted in 1932 Campaign.

Let's not forget the references to our earlier foreign loans policy in the 1932 campaign, when the Democratic candidate stated:

"It was already obvious even to the administration that the forced production of our industry was far too great for our domestic markets. The President had to meet this fact and he did meet it by an audacious and fateful suggestion. We were to sell what he called 'the constantly increasing surplus' abroad. But how could this be done in the collapsed state of world finance? He answered, 'It is an essential part of the further expansion of our foreign trade that we should interest ourselves in the development of backward or crippled countries by means of loans.'"

Obedient to this suggestion, the United States, which had already loaned 14 billions abroad, was lending overseas at a rate of \$2,000,000,000 per year. This was produced, in part, by the crop of foreign bonds which American investors know to their cost. The old economics had gone out of business; to the suggestion that mass and machine production ultimately must destroy employment, the President simply observed, "This is the reecho of a century ago." And the new economics went merrily on.

Today the curtain seems about to rise on a similar venture. The roles are the same; only the actors have changed. Instead of private bondholders, the American public is to pony up. Instead of solely foreign governments, American export firms and foreign import firms are cast in the role of borrowers. Witness the \$25,000,000 credit to the Universal Trading Corp., just created as a dummy for the government of China, or the \$10,000,000 of R. F. C. money loaned to an old-established American communications enterprise active in Latin America.

Those who urge long-term credits to finance American exports to Latin America speak in terms of 5 or 10 years. "The Germans offer long-term credits; why shouldn't we?"

Events happen so rapidly nowadays that long-term credits involve desperate risks. Looking backward, the five years between 1933 and 1938 were not a long time. Yet who here in 1933 foresaw Munich? Who in 1938 foresaw the chaos of 1939? We may lend millions in relatively prosperous 1939, but can we be sure there won't be new economic or political turmoil before 1944? What private investor wants to take such a chance?

Competition Keen.

A popular misconception about Latin America is that our exporters are losing out to competition from Germany, Japan and Italy. It is true that competition from those quarters is keen. It is true that Fascist powers are aiding their export interests with subsidies, bilateral trade and exchange agreements, aski marks, etc. And it is true that foreign exchange control in 11 Latin American

Italy's Colonial Aspirations

France's Stiffened Attitude Makes Realization Difficult

By Joseph H. Baird

II Duce's present demand for enlargement of Italy's Mediterranean empire at the expense of France may mark the first failure of the totalitarian powers during the last half decade to gain new territory by threats of force.

This belief was widely held by American officials this week end following the strong resistance Rome's latest demand has met in Paris and London. While France may temporize and offer some minor concessions to Italy in the hope of a peaceful settlement of the issue, Paris shows every indication of continued stubborn resistance to the Fascist demand for actual control of a large part of its Mediterranean empire.

In plainer words, the prevailing opinion here is that Italy misjudged the strength of French opposition; that its diplomatic timing, usually correct, went wrong, and that the present crisis presently will be circumvented without war. That does not mean in any sense that II Duce will abandon his hopes of adding Tunisia, French Somaliland, Corsica and Nice to his domain. But he probably will wait for a more propitious moment to force the issue.

Just why the Italian government believed that France would yield to Italy's demand for such valuable and strategically important parts of its empire without a struggle is not entirely clear to diplomatic observers here. Presumably, however, the Italians overestimated the weakening effects on France of domestic turmoil there, particularly the threat of a general strike. II Duce, too, may have let his mind dwell too much on the weakness shown by the British and French statesmen at Munich.

Duce's Thinking Not Thorough.

If so, observers here point out, II Duce failed to take into consideration several important factors:

1. At Munich Great Britain and France had a less direct stake in the controversy than they have in the present crisis. There they were concerned with the domain of a third country, removed from their primary spheres of interest. But Italian control of the Mediterranean would threaten the very existence of the British and French colonial empires.

2. Prime Ministers Daladier and Chamberlain were "bluffed" at Munich by the vast military air strength of Germany. Italy has no comparable threat to offer. Both the French and British air forces, authorities here believe, are a match for the Italian. And while the possibility that Hitler might aid his colleague in the Rome-Berlin axis can not be forgotten, his assistance is by no means certain so long as German interests are not directly involved.

It may be, too, that Mussolini, when he allowed his puppet deputies in the Italian chamber and the controlled Italian press to raise the present issue, did not expect London's prompt avowal of support for France. Yet in view of the direct threat to the British "life-line" in the Mediterranean implied by Italian control of that sea, the British action was almost inevitable.

Franco a Consideration.

The belief among officials here that Italy does not care to force the issue of war just now is based on several considerations. In the first place, Italian prestige is so closely bound up with the fate of Gen. Francisco Franco in Spain that Rome could hardly afford to undertake a first-rate war, which would inevitably mean a lessening of its support to Franco. Second, in France alone Italy would face an enemy with an army superior to its own and with a navy approximately as strong as that of Rome. The addition of even that part of British naval strength which could be placed in the Mediterranean would give the democratic powers a preponderance at sea.

Hence, it seems illogical to suppose that II Duce will force the issue of war unless he can count on the active military support of his stronger partner in the north—Reichsfuehrer Hitler. And thus far Germany has given no evidence that it would intervene in a war fought purely for Italian territorial expansion.

Italian expansionist aims are made clear at once by a glance at the map of the Mediterranean basin, which Rome once ruled and which Italians still call "our sea."

Tunisia Is Prime Object.

Tunisia, perhaps, is strategically the most important of the French Mediterranean possessions which Rome covets. Lying directly southwest of the Italian Island of Sicily, the two are separated only by a gap of water about 100 miles wide at the narrowest point. By establishing strong naval and air bases at Tunis, capital of the little territory, Rome easily could control all trans-Mediterranean traffic and sever Britain's line of communications to the Near East and India as well as France's to Syria and French Somaliland. The city of Carthage, which controlled the Mediterranean in ancient times, owed its power to its strategic location on the Tunisian peninsula.

For many years Tunisia was ruled by its native Arabs, but it became a coveted object of European imperialistic powers in the late 19th century. The first step toward its acquisition was taken in 1882, when the British, French and Italian governments, for reasons of commerce, established a joint financial control over the little country, including about 45,000 square miles.

French Coup Obtained Tunis.

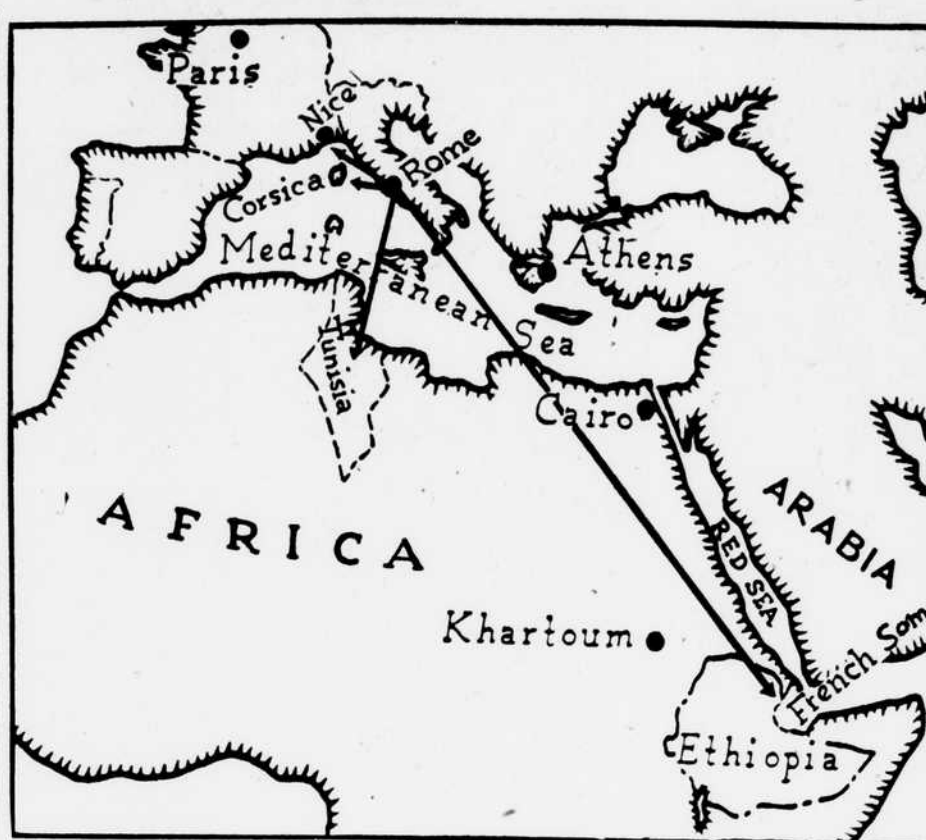
France, with the covert support of Britain, ousted Italian influence in 1880 by a military coup. French troops, crossing the Algerian-Tunisian frontier

countries has made it difficult, where not impossible, for us to export.

But what is not usually realized is that in 1937 Latin America as a whole bought from us one-third of its imports, as compared with only one-fourth before the war. It is not fully appreciated that we are selling in Latin America more than Germany, Japan, Italy and the United Kingdom combined.

Japan and Italy together supplied only 5.3 per cent of Latin America's 1937 imports, while Germany—20 years after Versailles—has just about regained its pre-war importance in Latin America's imports.

The nation's policy toward Latin America, it ought to go without saying, should not be changed without careful consideration and understanding of all pertinent facts.



under the pretext of chastising the Kroumir border tribe of raiders, advanced on Tunis and compelled the native bey, Muhammad VI, to sign a treaty which provided for a French regency over the country. Italy, which already had bought a railroad running from Tunis to Galetta, previously owned by the British, was angered by the French coup, but was in no position to contest it.

Somaliland Wanted, Too.

Tunisia is a fairly rich agricultural land yielding good crops of olives and dates. The cattle-raising industry also is important. But its main attraction as a pawn in the European diplomatic game always has been its strategic location, from which a strong naval power can dominate the Mediterranean.

French Somaliland, the second prize of importance in the present Italo-French dispute, lies more than a thousand miles east of Tunisia on the North African coast and is of vital interest to the Italians because its principal port, Djibouti, dominates the commerce of Italy's greatest African territory, Ethiopia. Having an excellent, well-protected harbor, Djibouti lies at the railroad of the single railroad between the Mediterranean and Addis Ababa, over which moves fully four-fifths of all Ethiopian commerce with the outside world. The railroad itself is owned by the French government, which constructed it under a commercial agreement with Ethiopia between 1897 and 1917.

French Somaliland, just a tiny coastal island in the great mass of Ethiopia, came under French domination in 1888 by a series of treaties with the native beys.

Controls Way to Ethiopia.

Its population numbers 68,965, of which only about 1,000 are Europeans. Commercially, it is not important for its own production. But lying, as it does,

Hopkins

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kind of treatment is business going to get from the new Secretary of Commerce? These are two questions being widely asked now. For the present Harry Hopkins says nothing.

Makes Quick Decisions.

As head of the W. P. A. he was a feverish worker. He takes off his coat and vest, snaps his suspenders and buckles down. He makes quick decisions. He stays on his toes, ready for his assailants, some of whom are pretty vigorous.

He speaks out. He said Hugh Johnson's N. R. A. codes were "lousy." He said Harold Ickes' P. W. A. was "haywire." Opponents of "boondoggling"—the special W. P. A. undertakings—are "too dumb dumb to appreciate the finer things of life." He irritated the South by remarking that in Dixie "diets for thousands consist of grits, greens and gravy." Although he took no particular interest in politics until he became associated with Roosevelt, he never spares the Republicans.

"Those babies will be in museums after Tuesday," he said of the G. O. P. followers just before the 1934 elections. Henry P. Fletcher then was chairman of the Republican National Committee. He opposed Mr. Hopkins' relief spending policy. He and his fellows, announced Mr. Hopkins, have a "complete lack of understanding or sympathy for the underprivileged class of America." Mr. Hopkins' brother was elected coroner of Tacoma, Wash., on the Republican ticket and Harry said: "I thought that party died two years ago and didn't need a coroner."

Was Leader in Purge.

Hopkins was a leader in the purge movement of last summer, and some of those Senators who survived the purge may well embarrass him during the confirmation debate. "The New Deal will be here 20 years from now," Mr. Hopkins remarked in a moment of ecstasy. Behind every other question about Hopkins is this large question: Is Hopkins the Roosevelt choice as the Roosevelt successor? Is Hopkins the choice to guide the continuing New Deal during a part of those 20 years?

Mr. Hopkins is welcomed like a beloved brother at the White House. He lives at his office, at his home in Georgetown—2821 N. Street N.W.—and at the President's house. He worships Mr. Roosevelt, who can stand worshiping. He was by the President's side at Hyde Park when the doleful election returns came in last November.

He was discovered by Mrs. Roosevelt, but Mr. Roosevelt soon claimed him. He and the Roosevelts met in 1928,

at the railroad of the line to Addis Ababa and on a narrow strait which separates the Red Sea from the Gulf of Aden, it virtually controls the transportation of that area. Presumably Italy believes that its commercial domination and exploitation of Ethiopia can never be complete so long as the French control Djibouti and the railroad leading into the heart of Mussolini's newest African possession.

Corsica, birthplace of Napoleon Bonaparte, and long a French possession, is an island just off the western coast of Italy and directly north of the large Italian island of Sardinia. Its political relationship to France is much closer than that of either Tunisia or French Somaliland, it being a department of the French government rather than merely a protectorate.

Franco Obtained It in 1768.

Corsica came under the political domination of France in 1768, when the Italian state of Genoa, which long had dominated the island, signed a treaty ceding control to the French, who already were in military occupation. For 20 years it remained a crown colony of France. But with the French revolution of 1879, the National Assembly passed an act making the island an integral part of France, which it has been ever since, except for two years of British occupation, although the population is largely of Italian racial stock.

Because of its location only 54 miles off the coast of Tuscany, its strategic importance as a military base of French operations in a war with Italy is tremendous. This consideration, as well as the fact that so many Corsicans are Italian in race, lies behind Mussolini's present attempt to add it to the new Roman Empire.

Nice, the final point of Italian expansionist aims at French expense, is a city of about 175,000, located at the extreme southeastern tip of France, about 20 miles from the Italian border. Founded more than 2,000 years ago by the Phoenicians, it has alternated for centuries under the rule of its native princes, the Italian states of Savoy and Sardinia, France and Spain. France last gained control of it in 1860 by a treaty between the Sardinian King and Napoleon III. What shadowy claim Italy may lay to Nice presumably is based on the fact that for many years it was ruled by principalities which are a part of the modern Italian state.

Is an Enemy of the Dole.

The cabinet post will bring Hopkins \$12,500 a year. When he came East from Grinnell College, Iowa, in 1912, he went to work in a camp for underprivileged boys at \$45 a month. That was a little more than half what the average W. P. A. worker makes, about the same income available under the old dole system of the New York Temporary Emergency Relief Administration and the Federal Emergency Relief Administration. Hopkins is the enemy of the dole. As he told a Senate committee last winter:

"It is my conviction, and one of the strongest convictions I hold, that the Federal Government should never return to a direct relief program. It is degrading to the individual; it destroys morale and self-respect; it results in no increase in the wealth of the community, and it tends to establish a permanent body of dependents. We should reach a concept in America where the able-bodied unemployed are entitled to a job as a matter of right."

The fact that the professional friend of the down-trodden and unemployed is a frequent visitor to some of the most exclusive spots in the country healthier vicinities is in keeping with the Hopkins character as it has been revealed over the years. When he was the private charlatan, he never mixed the boys from the slums with his home life. He liked to leave Avenue B and summer in Woodstock, Mass., with the intelligentsia.

He likes quick and snappy conversation. He is a wise-cracker, probably the most agile in the administration, aside from the President himself. He is tall and stooped, long-faced, with quick eyes set close together. He has been the No. 1 politician at Grinnell College. One of his chief joys is his small daughter Diana. He is 48, with many years to go. What he does as Secretary of Commerce will determine along what path he will spend the coming years.

Farm Hopes for 1939 Rest On All U. S., Says Wallace

Regulatory Machinery Must Be Geared to Other
Activities—Increased National Income
Held Principal Need

By Henry A. Wallace,
Secretary of Agriculture

(What America's farmers may look forward to in 1939 in their efforts, with Government aid, to reach the goal of balanced production and distribution is discussed here in an article written by the Secretary of Agriculture exclusively for The Star and the North American Newspaper Alliance.)

For agriculture, the year 1938 has marked a milestone—the beginning of a long-time farm program of orderly production and marketing.

This long-time program is built on the foundation of the emergency adjustment program of 1933-1935 and the soil-conservation program of 1936-7.

What Does the Year 1939 Hold in Store?

Farmers look forward to 1939, if not with unquestioning confidence, at least with strong hopes.

Looking abroad, their hopes are directed first toward the meeting at London in January of the Wheat Advisory Committee, which will give serious consideration to the possibility of working out an effective world wheat agreement. If the various wheat-exporting and wheat-importing countries can get together, the world wheat market can be strengthened with benefit to wheat producers the world over—our own included.

International Outlook Dark.

Aside from the prospects of a really effective wheat agreement, our farmers face an international trade situation that is not too encouraging. The British trade agreement has marked a substantial gain. But there also have been losses in farm exports—particularly in exports of cotton—caused by the various wars and threats of war, and the shifts in world trade resulting from the barter arrangements of the totalitarian countries.

Viewing the scene at home, farmers look hopefully toward industry. Will the example set by farmers in putting their production and marketing on a more orderly basis be followed by business and labor?

Farmers feel that in their own farm program they have made an important contribution toward the building of a national economic machine geared to produce and distribute in abundance the goods and services needed and desired by all our people. They feel that their program was an important factor in holding farm cash income this year at a level of \$7,600,000,000—almost as great as their income in 1936, nearly twice as great as their income in 1932, and only 11 per cent below their 1937 income. They feel that the maintenance of farm income was a strong factor in stopping the 1937-8 depression and setting into motion once more the currents of recovery.

Farm income is not yet what it ought to be. To attain further progress, the farmers themselves can do a great deal in 1939 by taking full advantage of the machinery Congress has provided. This machinery will be available to the producers of all farm crops for the first time in 1939. But no matter how earnestly the farm problem is tackled by farmers, it cannot be entirely solved on the farm. To an important extent, farmers must look to an increase in the national income to bring farm income up to the level that would insure a prosperous agriculture. We cannot dodge the fact that our agricultural economy cannot be completely healthy as long as the national economy is ailing.

Problem Not Easily Solved.

The cure for what ails our national economy can be summed up in the words: Balanced production and distribution—less production of the things that are not needed or desired, more production of the things that are needed and desired. But the cure is not so simple as those simple words might indicate. The cure involves numerous adjustments throughout our business machine to get it to humming properly.

Our national economy will not be in a completely healthy state until national income rises to the neighborhood of \$10,000,000,000. In 1929 our income was around \$8,000,000,000. In 1932 it had fallen to \$4,000,000,000. By 1937 it had come back up to \$7,600,000,000. In 1938 it was around \$8,500,000,000, and from all indications it is again on the rise. Of course, we cannot expect more than a moderate gain in 1939. I mention the \$10,000,000,000 figure simply to indicate the goal we should strive to reach in the next few years.

What shall we do to get the balanced production and distribution that we need?

In agriculture there is a chronic tendency to produce too much wheat, too much cotton. These are commodities which were exported in great quantity before the war—when we were a debtor nation and Europe was glad to take our wheat and cotton in payment for the capital goods we had bought from Europe.

Now, with the United States a creditor nation and with world trade conditions entirely different, we cannot sell more than a fraction of the wheat and cotton we are able to produce. No matter how hard we try, we cannot find markets for our surplus. The amounts that foreign countries will buy are limited.

Wheat Carryover Unavoidable.

Some people say that the surplus could be used at home. But in the case of wheat, in spite of all our efforts to make sure that every hungry mouth in the United States is fed with all the bread it can get, there still are 250,000,000 bushels left over from last summer's bumper crop that, if not exported, will be added to the carryover in this country. With our export sales policy, we have sold 75,000,000 bushels abroad and we expect to reach a total of 100,000,000 by the end of the marketing year. That will leave 150,000,000 bushels to be added to the carryover. In the case of cotton, the Department of Agriculture and the cotton trade are joining together to find ways of expanding consumption, but with all our ingenuity it is evident that we can make only a small dent in the 13,000,000-bale carryover in this way.

On the other hand, increased production of some other farm products—such as milk, butter, eggs, meats, fruits and vegetables—would be needed if there are really two "ifs." One "if" has

to do with people's eating habits. If people were educated to a diet that would contain the right amount of the various mineral elements and be best for their health, they would demand greatly increased quantities of these products. The other "if" has to do with consumer incomes. If the national income were in the neighborhood of \$10,000,000,000 and the incomes of our factory workers and other similar groups were correspondingly increased, people could afford to buy these farm products, which now come in the semi-luxury class.

In the absence of export markets big enough to take our exportable surplus of wheat and cotton, it would be folly for our farmers to go on wasting their soil and their labor to get peak production of the export crops. And in the absence of consumer desire and buying power for all that our farmers can produce of livestock products and fruits and vegetables, farmers simply cannot afford to waste their soil and their labor to turn out peak production of these commodities that are almost entirely consumed at home.

That is why farmers have called on their Government to assist them in carrying out a national farm program in which they can conserve their soil, protect consumer supplies with an ever-normal granary and safeguard their own incomes when the granary overflows.

Adjustments Must Be Made.

That is why farmers look hopefully to business and labor. They hope that agriculture, business and labor can join together with each other and with the Government to work out the adjustments that need to be made in the rest of our national economy. They hope that somehow the ample supplies of currency in circulation and the ample bank deposits can be made to move faster, so as to put to use idle labor, idle machines and idle money. They hope business will regain its courage and gradually replace Government as the source of the capital flow that is essential if our business machine is to function as it should.

They hope the construction industry can make further gains, and that human energy can be diverted from production of the things that are not needed—like surplus wheat and cotton—to production of the new houses that are needed. They hope all policies of business, labor and government, as well as of agriculture, can be tested in the light of the effect of these policies on the national income.

At the present time, as I have said, the national income is rising once more as business activity increases. Prophecy is always risky, and I shall not attempt to forecast how far the present rise will go or how long it will continue. But, unless we as a Nation—unless we as farm organizations, as labor unions, and as chambers of commerce and trade associations—counsel with each other and with our public servants in the Government to make our separate policies fit together into a co-ordinated whole, then the present improvement will be all too short lived.

Income Key to Problem.

We as a Nation need, first of all, increased income. Many of the problems which now seem so baffling—the problem of unemployment and relief in our great cities, the problem of the dust-bowl refugees in the Far West, the problem of the sharecroppers and farm labor in the South—these and other problems would melt away